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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

CPP Securities L.L.C.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Two American Lane

OFFICIAL USE ONLY

FIRM ID. NO.

Greenwich

(No. and Street)

CT

06836-2571

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Randall U. Tam

(203) 861-3288

(Area Code, Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

(Name - of individual, state last, first, middle name)

5 Times Square

New York

NY

10036

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, Randall U. Tam, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of CPP Securities L.L.C., as of December 31, 20 03, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

YURY KATSMAN
NOTARY PUBLIC

My Commission Expires Jan 31, 2008

Randall U. Tam
Signature

General Securities Principal and Executive Representative

Title

[Signature]
Notary Public

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Operations.
- ☒ (d) Statement of Changes in Cash Flows.
- ☒ (e) Statement of Changes in Members' Equity.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims or Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A or Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Supplemental Report of Independent Auditors on Internal Control required by SEC rule 17a-5.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

CPP Securities L.L.C. (a Limited Liability Company)

Year ended December 31, 2003

With Report and Supplementary Report of Independent Auditors

CPP Securities L.L.C.
(a Limited Liability Company)

Financial Statements
and Supplemental Information

Year ended December 31, 2003

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Report of Independent Auditors

The Members of
CPP Securities L.L.C.

We have audited the accompanying statement of financial condition of CPP Securities L.L.C. (a Limited Liability Company) as of December 31, 2003 and the related statements of operations, changes in members' equity and cash flows for the year then ended. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CPP Securities L.L.C. at December 31, 2003 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the U.S. Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

February 16, 2004

CPP Securities L.L.C.
(a Limited Liability Company)

Statement of Financial Condition
(Dollars in thousands)

December 31, 2003

Assets

Securities owned, at fair value (cost \$46)	\$	19
Due from broker		478
Total assets	\$	497

Liabilities and members' equity

Liabilities:

Accrued expenses	\$	12
Members' equity		485
Total liabilities and members' equity	\$	497

CPP Securities L.L.C.
(a Limited Liability Company)

Statement of Operations
(Dollars in thousands)

Year ended December 31, 2003

Net change in unrealized depreciation of investments	\$ (10)
Interest income	<u>6</u> (4)
Operating expenses	<u>14</u>
Net loss	<u><u>\$ (18)</u></u>

CPP Securities L.L.C.
(a Limited Liability Company)

Statement of Changes in Members' Equity
(Dollars in thousands)

Year ended December 31, 2003

Balance at January 1, 2003	\$	491
Contributions of capital		12
Net loss		(18)
Balance at December 31, 2003	\$	<u>485</u>

CPP Securities L.L.C.
(a Limited Liability Company)

Statement of Cash Flows
(Dollars in thousands)

Year ended December 31, 2003

Cash flows from operating activities

Net loss	\$	(18)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Increase) decrease in operating assets:		
Securities owned		457
Due from broker		(453)
Increase in operating liabilities:		
Accrued expenses		<u>2</u>
Net cash used in operating activities		<u>(12)</u>

Cash flows from financing activities

Contributions of capital		<u>12</u>
Cash, beginning and end of year	\$	<u><u>-</u></u>

CPP Securities L.L.C.
(a Limited Liability Company)

Notes to Financial Statements
(Dollars in thousands)

December 31, 2003

1. Organization and Summary of Significant Accounting Policies

Organization

CPP Securities L.L.C. (the "Company") is a Delaware limited liability company, a broker-dealer with the U.S. Securities and Exchange Commission, and a member of the National Association of Securities Dealers, Inc. ("NASD"). According to the limited liability company agreement, the term of the Company shall end at the close of business on December 31, 2037.

There are two member-managers in the Company: Capital Preservation Partners L.L.C., the majority member-manager, and Paloma Partners Company L.L.C.

Investment Transactions

Investment transactions are accounted for on a trade-date basis.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities that qualify as financial instruments approximates the carrying amounts presented in the statement of financial condition. The process of valuing financial instruments in conformity with generally accepted accounting principles requires the use of estimates and assumptions. Actual results could differ from these values.

Allocation of Profit and Loss

Pursuant to the limited liability company agreement, on a monthly basis, each member's equity account is credited or charged, as the case may be, with that member's proportionate share of any increase or decrease in the value of the Company during the month. Also, pursuant to the limited liability company agreement, no member-manager is entitled to compensation.

CPP Securities L.L.C.
(a Limited Liability Company)

Notes to Financial Statements (continued)
(Dollars in thousands)

December 31, 2003

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

No provision for income taxes has been made because the Company is not subject to taxation in the jurisdictions in which it operates.

2. Securities Owned

Securities owned represents common stock of NASDAQ Stock Market, Inc. The stock is valued at the last sales price as of the last business day of the year.

3. Due From Broker

This balance comprises cash with the Company's prime broker.

4. Net Capital Requirements

The Company is a member of the NASD, and is subject to the U.S. Securities and Exchange Commission Uniform Net Capital Rule 15c3-1 (the "Rule"). The Company has elected to use the alternative method of the Rule, which requires the Company to maintain minimum net capital of \$250. At December 31, 2003, the Company had net capital of \$412.

Supplemental Information

CPP Securities L.L.C.
(a Limited Liability Company)

Computation of Net Capital Pursuant to SEC Rule 15c3-1
(Dollars in thousands)

December 31, 2003

Total members' equity	\$	485
Deductions and charges:		
Broker blanket bond		<u>70</u>
Net capital before haircuts on securities positions		415
Haircuts on securities		<u>3</u>
Net capital		412
Net capital requirement (minimum)		<u>250</u>
Excess net capital	\$	<u><u>162</u></u>

There were no material differences between the audited computation of net capital included in this report and the corresponding schedule included in the Company's unaudited December 31, 2003 Part IIA FOCUS filing.

CPP Securities L.L.C.
(a Limited Liability Company)

Statement Regarding SEC Rule 15c3-3

December 31, 2003

The Company is exempt from Rule 15c3-3 of the U.S. Securities and Exchange Commission under paragraph (k)(2)(ii) of that Rule.

Supplementary Report of
Independent Auditors

Supplementary Report of Independent Auditors on Internal Control Required by SEC Rule 17a-5

The Members of
CPP Securities L.L.C.

In planning and performing our audit of the financial statements and supplemental schedules of CPP Securities L.L.C. (the "Company"), for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the U.S. Securities and Exchange Commission (the "Commission"), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the criteria stated in Rule 17a-5(g) in making the periodic computations of net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons,
2. Recordation of differences required by Rule 17a-13, and
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned criteria. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial

statements in accordance with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional criteria of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that internal control may become inadequate because of changes in conditions or that the effectiveness of its design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, and its operation that we consider to be material weaknesses as defined above.

We understand that practices and procedures that meet the criteria referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the U.S. Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not meet such criteria in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the Commission's criteria.

This report is intended solely for the information and use of management, the Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the U.S. Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

February 16, 2004